

Message Text

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E.O. 11652: N/A
TAGS: BEXP, EINV, TC, SU
SUBJECT: REQUEST FOR EVALUATION OF SUDANESE INVESTMENT CLIMATE

REF: ABU DHABI 893 (NOTAL)

1. ALTHOUGH WE PERSONALLY FIND IT A BIT GALLING TO BE CALLED UPON TO SUPPORT BRITISH EXPORTS TO SUDAN AT TIME WHEN UK BALANCE OF PAYMENTS POSITION IS BETTER THAN OUR OWN, WE CHEERFULLY SUBMIT FOLLOWING WHICH YOU MAY WISH TO PROVIDE TO INDIVIDUALS IN UAE INTERESTED IN INVESTING IN SUDAN.

2. IN ONE SENSE INVESTMENT CLIMATE HERE IS VERY GOOD AND CERTAINLY BETTER THAN ANY TIME IN RECENT PAST. AFTER FLIRTATION AND CONCOMITANT DISAPPOINTMENT WITH SOCIALISTIC PRESCRIPTIONS FOR ECONOMIC DEVELOPMENT, THERE NOW EXISTS STRONG CONSENSUS THAT PRIVATE SECTOR, BOTH DOMESTIC AND FOREIGN CAN PLAY CRITICAL ROLE IN DEVELOPMENT OF SUDAN. THUS, THERE IS FRIENDLY AND OPEN ATTITUDE TOWARD FOREIGN INVESTMENT AND STEPS ARE BEING TAKEN NOW TO PROVIDE BETTER LEGAL FRAMEWORK TO ATTRACT AND PROTECT FOREIGN INVESTMENT.

3. NIMEIRI REGIME ALSO APPEARS AS STABLE AND FREE FROM ACTIVE OPPOSITION AS IT HAS BEEN SINCE ASSUMING POWER IN 1969. RECENT RECONCILIATION EFFORT WHEREBY OPPOSITION

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HAS BEEN ALLOWED TO RE-ENTER POLITICAL ARENA HAS BEEN LARGELY SUCCESSFUL. INDEED, OPPOSITION IS NOW IN SOME DISARRAY. WHILE NIMEIRI REGIME STILL HAS MANY CRITICS, NIMEIRI HIMSELF SEEMS TO HAVE GAINED IN STATURE AND POPULARITY. THERE APPEARS TO BE LITTLE SERIOUS OPPOSITION TO HIS MAJOR DOMESTIC AND FOREIGN POLICIES.

4. TO THIS EXTENT, WE WOULD DESCRIBE INVESTMENT CLIMATE, PARTICULARLY FOR UAE INVESTORS, AS FAVORABLE. HOWEVER, THERE ARE SERIOUS ECONOMIC PROBLEMS. INFLATION AND SCARCITY OF EVEN BASIC GOODS ARE SERIOUS PROBLEMS, AND BALANCE OF PAYMENTS/FOREIGN EXCHANGE PICTURE IS GRIM. WE THINK THESE PROBLEMS, ESPECIALLY SEVERE SHORTAGE OF FOREIGN EXCHANGE, RATHER THAN POLITICAL PROBLEMS, PROMPTED ECGD ACTION DESCRIBED REFTTEL, ALTHOUGH BRITISH WOULD BE IN BEST POSITION TO PROVIDE THIS INFO. GIVEN FOREIGN EXCHANGE PROBLEM, INVESTORS SEEKING SUPPLIER CREDITS UNDER TERMS SUCH AS BEING REQUESTED BY ECGD WOULD HAVE TO MAKE ARRANGEMENTS TO GUARANTY PAYMENT IN HARD CURRENCY WHICH ALMOST CERTAINLY WOULD REQUIRE MAKING ARRANGEMENTS OUTSIDE SUDAN. THIS, PRESUMABLY COULD BE DONE WITHOUT UNDUE DIFFICULTY.

5. THE DILEMMA OF SUDAN IS THAT IT IS COUNTRY WITH TREMENDOUS FUTURE PROMISE AND SERIOUS PRESENT PROBLEMS. GETTING STARTED HERE IS NOT EASY BECAUSE OF THE MANY PROBLEMS NOTED ABOVE. HOWEVER, ATTITUDE OF GOVERNMENT IS VERY FAVORABLE NOW, AND WE THINK THIS IS LIKELY TO REMAIN SO BEYOND NIMEIRI'S TENURE. PROSPECTS FOR FAVORABLE RETURN ON ANY GIVEN INVESTMENT DEPEND ON MICROECONOMIC SITUATION. TO BE SURE CAREFUL PLANNING IS REQUIRED AND SPECIAL PAYMENT ARRANGEMENTS MAY BE NECESSARY. HOWEVER, WE WOULD DESCRIBE CURRENT INVESTMENT CLIMATE HERE IN POLITICAL TERMS AS FAVORABLE.

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